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The Medicaid Financial Highlights report reviews current issues and trends in Medicaid financial operations. The Budget and Grants Branches of the Division of State Agency Financial Management prepared this highlight. For more information on this report call Dave McNally on extension 71398 or Barry Turska on extension 46876.

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ANALYSIS OF REDUCTIONS IN MEDICAID PAYMENTS TO STATES SECTIONS 1903(s) AND (t) SOCIAL SECURITY ACT FISCAL YEARS (FYs) 1982-1984

Overview

The following Medicaid Financial Highlight report presents an analysis of reductions in Medicaid payments to States under Sections 1903(s) and (t) of the Social Security Act (Act) for FYs 1982-1984. A background section, which examines the central points of the Act and a discussion of the grant award process is also included in addition to the financial analysis. The following data reflects the gross reductions, offsets, incentive rebates, and net Federal savings for FYs 1982-1984 based upon expenditure information on hand as of March 1, 1984 (State Estimates from February 1984 Form HCFA-25 were used to project FY 1984):

FY 1982

- Gross Reductions - $528.5 million;
- Unemployment Offsets - $8.2 million - Alabama 1 quarter - Michigan, 4 quarters;
- Hospital Cost Containment Offsets - $50.4 million - Connecticut, New Jersey, New York, Maryland, Massachusetts, Rhode Island, Washington;
- Third Party Liability/Fraud and Abuse (TPL/FA) Offsets - $106.5 million - 32 States qualifying for at least 1 quarter;
- Incentive Rebates - $200.2 million - 31 States qualifying;
- Net Federal Savings - $163.2 million;

FY 1983

- Gross Reductions - $766.6 million;
- Unemployment Offsets - $7.5 million - Alabama 1 quarter - Michigan 3 quarters - West Virginia 3 quarters;
- Hospital Cost Containment Offsets - $52.5 million - Connecticut, Maryland, Massachusetts, New Jersey, New York, Rhode Island;
- Fraud and Abuse (FA) Offsets - $61.7 million - 8 States qualifying for at least 1 quarter;
- Incentive Rebates - $329.0 million - 26 States qualifying;
- Net Federal Savings - $315.9 million;

FY 1984

- Gross Reductions - $968.0 million;
- Unemployment Offsets - $3.6 million - Alabama 3 quarters - West Virginia 4 quarters;
- Hospital Cost Containment Offsets - $58.9 million - Connecticut, Maryland, Massachusetts, New Jersey, New York, Rhode Island;
- Fraud and Abuse Offsets - $68.9 million - 8 States qualifying for at least 1 quarter;
- Incentive Rebates - $290.4 million - 17 States expected to qualify;
- Net Federal Savings - $546.2 million.

Background

Sections 1903(s) and (t) of the Act were enacted under Section 2161 of the Omnibus Budget Reconciliation Act of 1981. Under Section 1903(s), Federal payments to which a State is entitled under Medicaid are to be reduced by 3 percent for FY 1982, 4 percent for FY 1983 and 4.5 percent for FY 1984. However, the State may offset the reduction by up to 3 percentage points for each quarter if it has:

- An average unemployment rate that is equal to or greater than 150 percent of the national average;
- An approved operating hospital cost containment program;
- Fraud and abuse recoveries equal to or greater than 1 percent of total Federal Medicaid payments for that quarter.

For purposes of the unemployment offset, a State is determined to have a high unemployment rate with respect to a quarter if the average of the monthly unemployment rates for the State (as determined by the Bureau of Labor Statistics) for the 3 months preceding such quarter is equal to or greater than 150 percent of the similarly computed national average unemployment rate.

The hospital cost containment offset qualifying criteria were established by Congress in the Act. In drafting Section 1903(s), the Congressional conference committee identified six States that they understood would and intended to qualify for FY 1982 (Connecticut, Maryland, Massachusetts, New Jersey, New York, and Washington). However, authority to determine qualification was vested in the Secretary of Health and Human Services (Secretary). Based upon the criteria specified in the Act, the Secretary, through determinations made by the Health Care Financing Administration's (HCFA) Office of Research and Demonstrations, also identified Rhode Island as a qualifying State for FY 1982. Any additions or deletions for FYs thereafter are determined by HCFA's Office of Research and Demonstrations.

The State may qualify for a FA offset if it can demonstrate that FA recoveries in the immediately preceding quarter are equal to at least 1 percent of the total Federal Medicaid payment for that quarter. With respect to FY 1982 only, States may qualify for this offset by combining recoveries from FA and third-party liability (TPL) efforts during the applicable quarter.

Section 1903(t) provides that a State will be entitled to a dollar-for-dollar rebate (incentive rebate) of the outstanding reductions if total Federal Medicaid funding for FYs 1982, 1983 or 1984 falls below the target spending levels established for those respective years. However, the amount of the incentive rebate may not exceed the total amount of reductions taken for the fiscal year. Congress established the target amount for FY 1982 as equal to 109 percent of each State's estimate of the amount of Federal funding it would be paid for FY 1981, and stipulated that the State estimates to be used would be the last received by the Secretary before April 1, 1981. For FY 1983 and FY 1984, the target amounts are to be equal to the FY 1982 target increased or decreased by the percentage change in the medical care component of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics.

Computation and Awarding of Reductions, Offsets and Incentive Rebates Through the Medicaid Grant Process

The Health Care Financing Adminstration, through the Bureau of Program Operation's Division of State Agency Financial Management (DSAFM), routinely issues to each State an initial (or advance) grant award, and a 'finalizing' grant award for medical assistance payments and administration and training payments for each expenditure quarter as follows:

- By the first day of each quarter, DSAFM issues the initial award, based on the State's (Form HCFA-25) estimate of expenditures in the quarter as reviewed by the regional office. Any Federal financial participation (FFP) reductions required under the Act are factored into the initial award as appropriate.

- A month after the end of each quarter, the State reports its actual expenditures (on Form HCFA-64). After deferring or disallowing any unallowable FFP claims and calculating the appropriate FFP Section 1903(s) reduction to the allowable expenditures, DSAFM compares the allowable funding to the amount previously advanced through estimate awards for that quarter. A finalizing award is then issued to the State for the difference.

- Normally, the expenditures for a given quarter are finalized two quarters later. For example, the expenditures for the third and fourth quarters of FY 1982 are finalized in the first and second quarters, respectively, of FY 1983.

The gross percentage point reductions under Section 1903(s) are applied to the initial grant award issued each State at the beginning of each quarter, unless DSAFM has already verified the State's eligibility for one or more of the 3 percentage point offsets. When the State's actual expenditure report (HCFA-64) is reviewed after a given quarter, the percentage point reductions are applied to the otherwise allowable expenditures, again except where DSAFM has verified eligibility for one or more of the three offsets. The finalizing grant award issued for a quarter will be the difference between the total advance awards previously issued to the State for that expenditure quarter and the finalized adjusted expenditures for the quarter.

State survey and certification Medicaid estimates and expenditures and related FFP Section 1903(s) reductions and offsets are calculated and awarded to the States by the Health Standards and Quality Bureau (HSQB) under procedures similar to those utilized by DSAFM.

In contrast to the calculation and awarding of percentage point reductions and offsets, all of which are computed and awarded on a quarter-by-quarter basis, the incentive rebate component of the Act (Section 1903(t)) is calculated and awarded by DSAFM on an annual basis. The target spending level has been established for each State for FYs 1982 and 1983 based upon the State's own HCFA-25 estimate of FY 1981 spending submitted prior to April 1, 1981, plus 9 percent for FY 1982 and an additional 7.5 percent for FY 1983. The State's HCFA-25 estimate for FY 1981 was adjusted to exclude amounts relating to FY 1980 or earlier years, exclude payments to Indian Health Services providers, and include the State survey and certification estimates reported separately to (and funded separately by) HSQB, as specified by the Act.

The State's FY adjusted expenditures (which include survey and certification expenditures) are compared to the appropriate Medicaid spending target levels for each FY by DSAFM. Where expenditures fall below the target, the State is entitled to a dollar-for-dollar incentive rebate equal to the outstanding 1903(s) reductions or the amount by which expenditures fall below the target, whichever is the lesser amount. Full rebates awarded to the States are equal to the outstanding percentage point reductions. If a State receives an incentive rebate equal to the amount by which expenditures fall below the target (only awarded if the amount is lesser than the reductions outstanding) it is considered to be a partial rebate.

Preliminary incentive rebates for FY 1982 and incentive rebate letters were issued to the States by DSAFM in February 1983 utilizing finalized expenditure data for the first three quarters of FY 1982 and the State's estimate of expenditures for the fourth quarter of FY 1982. The incentive rebate calculation for FY 1982 was revisited in September 1983 to include actual FY 1982 claims allowed and their corresponding Section 1903(s) reductions reported since February 1983. Adjusting grant awards and incentive rebate letters were once again mailed to the States in September 1983. Preliminary incentive rebates for FY 1983 and incentive rebate letters were issued to the States by DSAFM in January 1984.

Section 1903(s) and (t) provisions contain no cutoff date for revisiting the FY offsets or incentive rebate calculations. Consequently, incentive rebate calculations for all FYs will be indefinitely revisted annually to include the effects of prior period claim reporting by the States, audit exceptions, Grant Appeals Board decisions, and additional TPL/FA collection and diversion information. The DSAFM plans to revisit FY 1982 and FY 1983 incentive rebate calculations at the end of FY 1984. Preliminary incentive rebate calculations for FY 1984 will be processed in December 1984. Thereafter, each FY's incentive rebate will be recalculated annually.

Summary of 1903(s) and (t) Activity FYs 1982 and 1983 and Estimated Activity FY 1984

The following summary data for FYs 1982 and 1983 reflects information on hand as of March 1, 1984 on an expenditure basis. This data is subject to change as long as States continue to report expenditures, or audit or other adjustments are made for FYs 1982 and 1983.

Charts I, II, III, and State Summary Table I show that initial reductions applied to State Medicaid payments were $528.5 million for FY 1982 and $766.6 million for FY 1983. State Summary Table II shows the quarterly offset qualification by State and incentive rebate qualifiers for FYs 1982 and 1983. Chart III exhibits the comparison of FYs 1982 and 1983 reductions, offsets, incentive rebate, and net Federal savings. Chart IV displays a comparison of FYs 1982 and 1983 net Federal savings by State. Charts I and II also display the dollar amount and proportion of offsets, incentive rebate and net Federal savings to total gross reductions as follows:

FY 1982

Unemployment Offsets - Total unemployment offsets were $8.2 million for FY 1982, which represented 1.5 percent of FY 1982 gross reductions. Alabama qualified for one quarter in FY 1982, while Michigan qualified for all four quarters as highlighted on State Summary Table II. Unemployment offset qualification is determined from the data provided by the Bureau of Labor Statistics as previously discussed in the background section of this report.

Hospital Cost Containment Offsets - Seven States (Connecticut, New Jersey, New York, Maryland, Massachusetts, Rhode Island, and Washington) qualified for $50.4 million in hospital offsets for FY 1982, which represented 9.5 percent of FY 1982 gross reductions.

Third Party Liability/Fraud and Abuse Offsets - Total TPL/FA offsets were $106.5 million for FY 1982, which represented 20.2 percent of FY 1982 gross reductions. State Summary Table II indicates that 32 States qualified for the TPL/FA offset in at least one quarter for FY 1982. New York and California represented $51.3 million (48.2 percent) of the total TPL/FA offset for FY 1982 as shown on State Summary Table I. Recoveries from FA and TPL efforts are considered for FY 1982 offset qualification.

Incentive Rebates - Total rebates earned by 31 States were $200.2 million for FY 1982, which represented 37.9 percent of FY 1982 gross reductions. State Summary Table II shows that 27 States received full rebates for FY 1982, while 4 States (Mississippi, New Mexico, North Carolina, and Utah) received partial rebates.

Net Federal Savings - Total net Federal savings realized were $163.2 million for FY 1982, which represented 30.9 percent of FY 1982 gross reductions. The Federal Government realized savings from 23 States for FY 1982. Chart IV indicates that the largest Federal savings States for FY 1982 were New York, Pennsylvania, Ohio, Massachusetts, and Louisiana. These States constituted $107.7 million or 66.0 percent of the total net Federal savings for FY 1982 as a result of their failure to qualify for an incentive rebate.

FY 1983

Unemployment Offsets - Total unemployment offsets were $7.5 million for FY 1983, which represented 1.0 percent of FY 1983 gross reductions. Alabama again qualified for one quarter and Michigan and West Virginia qualified for three quarters in FY 1983 as shown by State Summary Table II. Michigan narrowly missed qualifying in the fourth quarter of FY 1983 because its third quarter FY 1983 average unemployment rate of 14.9 percent was slightly less than 150 percent of the comparable national average of 10 percent as supplied by the Bureau of Labor Statistics.

Hospital Cost Containment Offsets - Six States (Connecticut, Maryland, Massachusetts, New Jersey, New York, and Rhode Island), qualified for $52.5 million in hospital offsets, which represented 6.9 percent of FY 1983 gross reductions. The State of Washington, which qualified for FY 1982, failed to qualify in FY 1983 according to data provided by HCFA's Office of Research and Demonstrations.

Fraud and Abuse Offsets - Total FA offsets were $61.7 million for FY 1983, which represented 8.0 percent of FY 1983 gross reductions. Only 8 States qualified for at least one quarter in FY 1983 as compared to 32 for FY 1982, representing a decline of $44.8 million as highlighted by the comparison on Chart III. New York and California accounted for $54.0 million, 87.4 percent of the total FA offset for FY 1983. The exclusion of TPL recoveries for offset qualification explains the decline in FY 1983 for the vast majority of the remaining States.

Incentive Rebates - Total incentive rebates earned by 26 States were $329.0 million for FY 1983, which represented 42.9 percent of FY 1983 gross reductions. Eighteen States received full rebates, while 8 States (Kansas, Kentucky, Massachusetts, Missouri, North Carolina, Oklahoma, Oregon, and Virginia), received partial rebates. Massachusetts and Virginia earned rebates in FY 1983 for the first time. The District of Columbia, Maryland, West Virginia, Mississippi, Nebraska, Montana, and Utah earned rebates for FY 1982 but were unable to qualify for FY 1983.

Net Federal Savings - Total net Federal savings realized were $315.9 million for FY 1983, which represented 41.2 percent of FY 1983 gross reductions. The Federal government realized savings from 32 States for FY 1983. Chart IV indicates that the largest savings States for FY 1983 were New York, Pennsylvania, Ohio, Minnesota, and Louisiana. These States constituted $179.0 million, or 56.6 percent of the total net Federal savings. A decline in the number of States that qualified for the incentive rebate and FA offset and an increase in the general reduction percentage taken from a higher level of expenditures contributed to a $299.7 million increase in net Federal savings from FY 1982 to FY 1983.

FY 1984

Revisions to estimated FY 1984 Section 1903(s) and (t) activity are made by DSAFM each quarter to reflect current Form HCFA-64 expenditures and Form HCFA-25 estimates reported by the States. Section 1903(s) and (t) activity currently estimated by DSAFM for FY 1984 (based upon February 1984 State submitted estimates - Form HCFA-25) is as follows:

- Gross Reductions - $968.0 million - represents 4.5 percent of the February 1984 State estimates of $21.5 billion;
- Unemployment Offsets - $3.6 million - based upon recent Bureau of Labor Statistics data, Alabama qualified for the second quarter of FY 1984 and West Virginia qualified for both the first and second quarters - DSAFM estimates that these States will also qualify in the third and fourth quarters of FY 1984;
- Hospital Cost Containment Offsets - $58.9 million - the 6 States that qualified for FY 1983 are assumed to qualify for FY 1984 also;
- Fraud and Abuse Offsets - $68.9 million - 8 States are expected to qualify in at least one quarter similar to FY 1983 actual qualification;
- Incentive Rebates - $290.4 million - 17 States are expected to qualify for the FY 1984 incentive rebate;
- Net Federal Savings - $546.2 million - represents 56.4 percent of FY 1984 gross percentage point reductions.

CHART I

PROPORTION OF OFFSETS, INCENTIVE REBATE AND NET FEDERAL SAVINGS TO GROSS REDUCTION - FY 1982

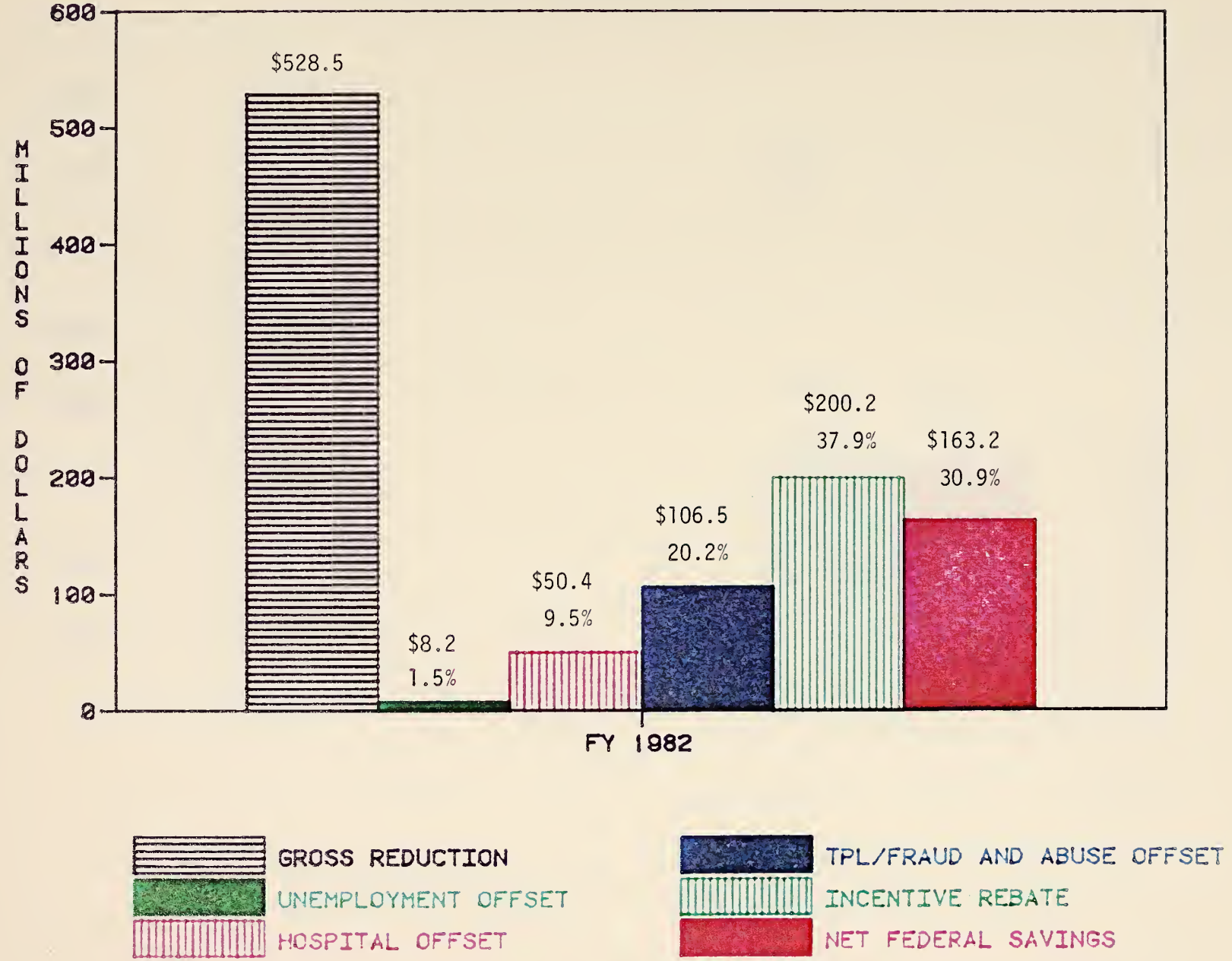


CHART II

PROPORTION OF OFFSETS, INCENTIVE REBATE AND NET FEDERAL SAVINGS TO GROSS REDUCTION - FY 1983

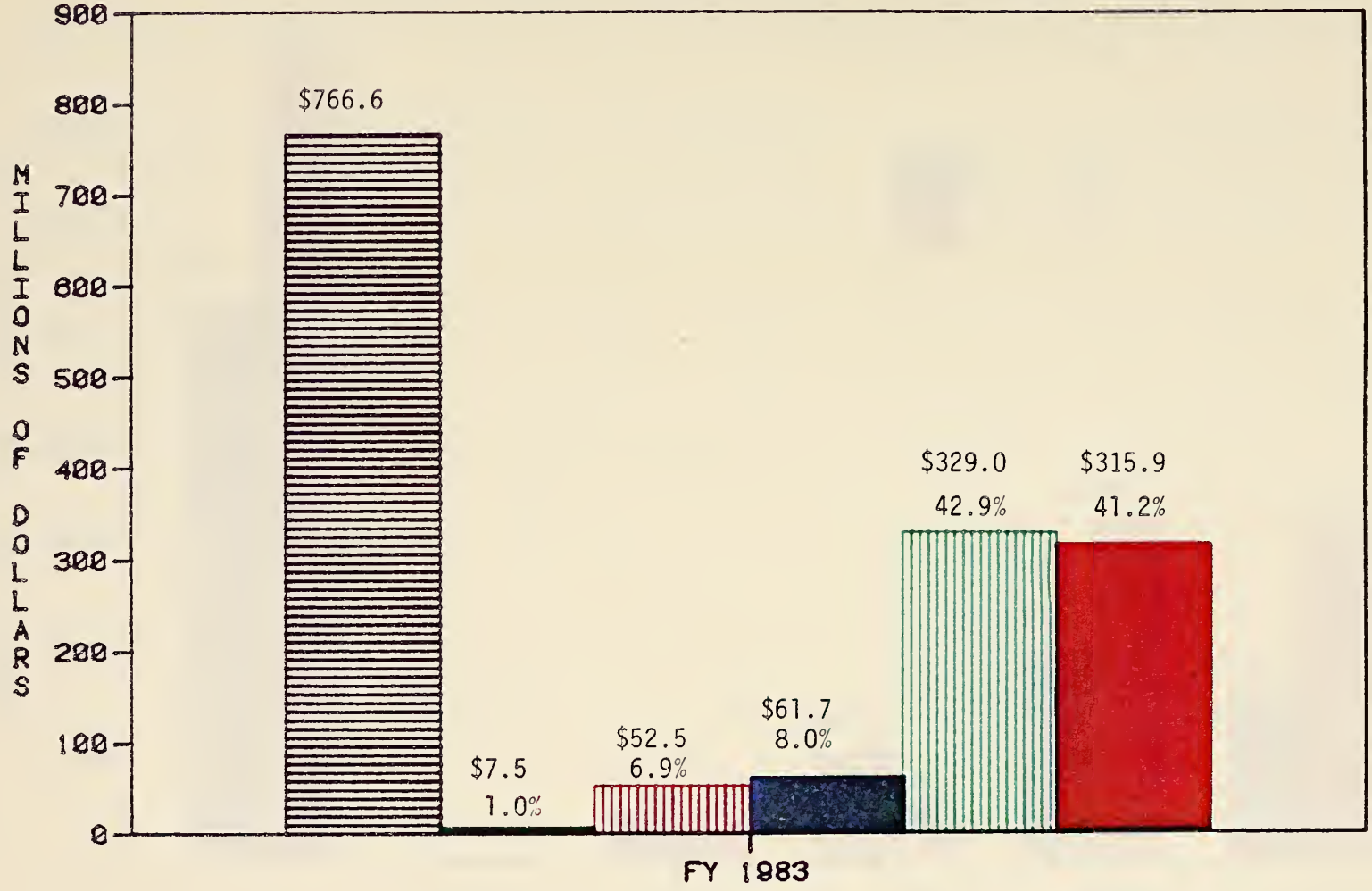
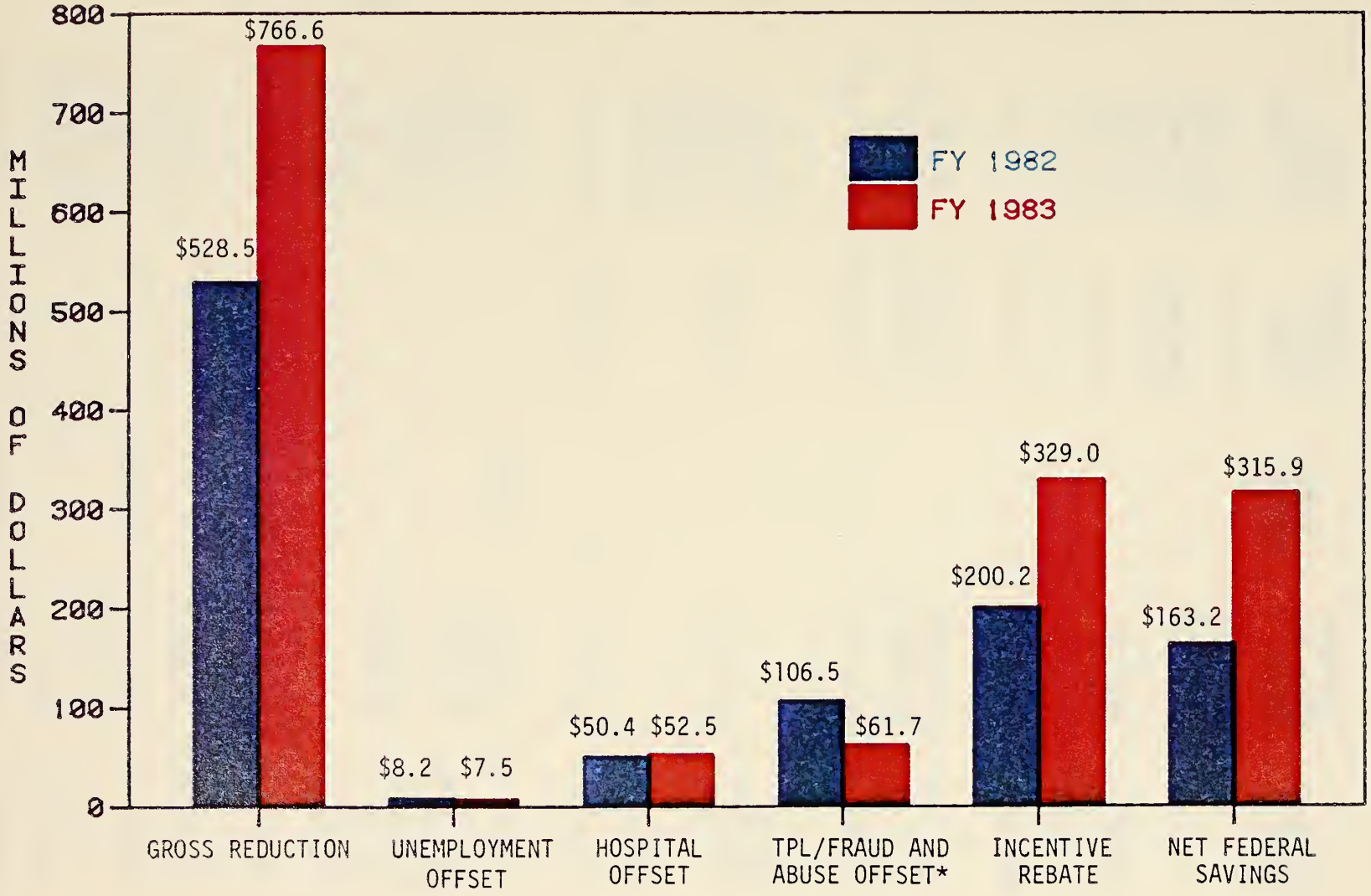


CHART III

COMPARISON OF GROSS REDUCTION, OFFSETS, INCENTIVE REBATE AND NET FEDERAL SAVINGS - FY 1982 AND FY 1983



* TPL RECOVERIES CONSIDERED FOR FY 1982 ONLY

STATE SUMMARY TABLE I
SECTION 1903 (S) + (T) ACTIVITY - FEDERAL SHARE
FOR FISCAL YEAR 1982 EXPENDITURES

STATES	GROSS 1903(S) REDUCTION	HOSPITAL COST OFFSET	UNEMPL. OFFSET	TPL/FRAUD AND ABUSE OFFSET	INCENTIVE REBATE	NET FEDERAL SAVINGS
CONNECTICUT	6,903,429	2,301,144		2,301,144		2,301,141
MAINE	4,057,048			1,352,356		2,704,692
MASSACHUSETTS	20,868,272	6,956,088				13,912,184
MASS BLIND	350,399	116,798				233,601
NEW HAMPSHIRE	1,647,705			277,844	1,369,861	0
RHODE ISLAND	3,570,088	1,190,029				2,380,059
VERMONT	1,710,433				1,710,433	0
REGION I	39,107,374	10,564,059	0	3,931,344	3,080,294	21,531,677
NEW JERSEY	14,225,591	4,741,865		3,805,423	5,678,303	0
NEW YORK	91,099,273	30,366,425		30,366,423		30,366,425
REGION II	105,324,864	35,108,290	0	34,171,846	5,678,303	30,366,425
DELAWARE	904,685				904,685	0
DIST OF COL.	2,878,307				2,878,307	0
MARYLAND	7,612,521	2,537,508		2,537,508	2,537,505	0
PENNSYLVANIA	29,482,488					29,482,488
VIRGINIA	8,977,361					8,977,361
WEST VIRGINIA	2,715,926				2,715,926	0
REGION III	52,571,288	2,537,508	0	2,537,508	9,036,423	38,459,849
ALABAMA	7,026,961		622,577	2,342,321	4,062,063	0
FLORIDA	10,676,215			3,558,736		7,117,479
GEORGIA	12,055,634			4,018,546	8,037,088	0
KENTUCKY	8,278,323				8,278,323	0
MISSISSIPPI	6,464,871			2,154,956	2,568,167	1,741,748
NORTH CAROLINA	10,358,339			3,452,780	6,905,559	0
SOUTH CAROLINA	6,304,140				6,304,140	0
TENNESSEE	8,642,329				8,642,329	0
REGION IV	69,806,812	0	622,577	15,527,339	44,797,669	8,859,227
ILLINOIS	22,872,894			2,033,818	20,839,076	0
INDIANA	8,991,730					8,991,730
MICHIGAN	22,619,647		7,539,879	7,539,879	7,539,889	0
MINNESOTA	13,401,235			4,467,097		8,934,138
OHIO	21,766,778					21,766,778
WISCONSIN	15,199,619			1,259,225	13,940,394	0
REGION V	104,851,903	0	7,539,879	15,300,019	42,319,359	39,692,646

STATE SUMMARY TABLE I
SECTION 1903 (S) + (T) ACTIVITY - FEDERAL SHARE
FOR FISCAL YEAR 1982 EXPENDITURES

STATES	GROSS 1903(S) REDUCTION	HOSPITAL COST OFFSET	UNEMPL. OFFSET	TPL/FRAUD AND ABUSE OFFSET	INCENTIVE REBATE	NET FEDERAL SAVINGS
ARKANSAS	6,257,919				6,257,919	0
LOUISIANA	11,870,715					11,870,715
NEW MEXICO	2,118,781			706,259	706,604	705,918
OKLAHOMA	7,200,641			721,326	6,479,315	0
TEXAS	20,384,426				20,384,426	0
REGION VI	47,832,482	0	0	1,427,585	33,828,264	12,576,633
IOWA	5,028,401			1,676,132		3,352,269
KANSAS	3,865,069			1,288,356	2,576,713	0
MISSOURI	7,636,871				7,636,871	0
NEBRASKA	2,659,961			886,654	754,049	1,019,258
REGION VII	19,190,302	0	0	3,851,142	10,967,633	4,371,527
COLORADO	4,209,534			1,403,177		2,806,357
MONTANA	1,612,889			537,632	1,075,257	0
NORTH DAKOTA	1,338,010			446,003		892,007
SOUTH DAKOTA	1,609,641			536,545		1,073,096
UTAH	2,375,146			791,715	1,257,179	326,252
WYOMING	322,633			107,545		215,088
REGION VIII	11,467,853	0	0	3,822,617	2,332,436	5,312,800
CALIFORNIA	62,883,904			20,961,303	41,922,601	0
HAWAII	1,974,157			658,052		1,316,105
NEVADA	1,109,384			369,794		739,590
REGION IX	65,967,445	0	0	21,989,149	41,922,601	2,055,695
ALASKA	653,315				653,315	0
IDAHO	1,246,289			415,429	830,860	0
OREGON	3,723,213			1,241,073	2,482,140	0
WASHINGTON	6,723,704	2,241,235		2,241,235	2,241,234	0
REGION X	12,346,521	2,241,235	0	3,897,737	6,207,549	0
TOTAL	528,466,844	50,451,092	8,162,456	106,456,286	200,170,531	163,226,479

STATE SUMMARY TABLE I
SECTION 1903 (S) + (T) ACTIVITY - FEDERAL SHARE
FOR FISCAL YEAR 1983 EXPENDITURES

STATES	GROSS 1903(S) REDUCTION	HOSPITAL COST OFFSET	UNEMPL. OFFSET	FRAUD AND ABUSE OFFSET	INCENTIVE REBATE	NET FEDERAL SAVINGS
CONNECTICUT	10,385,206	2,596,300				7,788,906
MAINE	6,022,288					6,022,288
MASSACHUSETTS	29,004,537	7,251,136			16,200,314	5,553,087
MASS BLIND	368,065	92,016			276,049	0
NEW HAMPSHIRE	2,356,182				2,356,182	0
RHODE ISLAND	5,299,921	1,324,979				3,974,942
VERMONT	2,414,753				2,414,753	0
REGION I	55,850,952	11,264,431	0	0	21,247,298	23,339,223
NEW JERSEY	20,959,315	5,239,829			15,719,486	0
NEW YORK	132,322,702	33,080,674		33,080,674		66,161,354
REGION II	153,282,017	38,320,503	0	33,080,674	15,719,486	66,161,354
DELAWARE	1,312,658				1,312,658	0
DIST OF COL.	5,087,418					5,087,418
MARYLAND	11,795,129	2,948,784				8,846,345
PENNSYLVANIA	42,167,307					42,167,307
VIRGINIA	11,916,107				10,217,180	1,698,927
WEST VIRGINIA	4,245,134		800,933			3,444,201
REGION III	76,523,753	2,948,784	800,933	0	11,529,838	61,244,198
ALABAMA	10,132,045		804,985		9,327,060	0
FLORIDA	17,471,713			4,367,929		13,103,784
GEORGIA	17,052,333				17,052,333	0
KENTUCKY	12,244,363				1,222,225	11,022,138
MISSISSIPPI	9,914,426					9,914,426
NORTH CAROLINA	15,867,220				5,893,219	9,974,001
SOUTH CAROLINA	8,415,319				8,415,319	0
TENNESSEE	13,934,396				13,934,396	0
REGION IV	105,031,815	0	804,985	4,367,929	55,844,552	44,014,349
ILLINOIS	30,558,322				30,558,322	0
INDIANA	13,781,566					13,781,566
MICHIGAN	31,251,406		5,923,958		25,327,448	0
MINNESOTA	19,547,603					19,547,603
OHIO	34,012,088					34,012,088
WISCONSIN	21,920,945				21,920,945	0
REGION V	151,071,930	0	5,923,958	0	77,806,715	67,341,257

STATE SUMMARY TABLE I
SECTION 1903 (S) + (T) ACTIVITY - FEDERAL SHARE
FOR FISCAL YEAR 1983 EXPENDITURES

STATES	GROSS 1903(S) REDUCTION	HOSPITAL COST OFFSET	UNEMPL. OFFSET	FRAUD AND ABUSE OFFSET	INCENTIVE REBATE	NET FEDERAL SAVINGS
ARKANSAS	9,704,951				9,704,951	0
LOUISIANA	17,145,018					17,145,018
NEW MEXICO	2,974,185			743,548	2,230,637	0
OKLAHOMA	10,286,978				10,082,363	204,615
TEXAS	32,840,079				32,840,079	0
REGION VI	72,951,211	0	0	743,548	54,858,030	17,349,633
IOWA	7,258,881					7,258,881
KANSAS	5,551,560				5,411,006	140,554
MISSOURI	12,100,177				6,493,529	5,606,648
NEBRASKA	3,927,343			741,878		3,185,465
REGION VII	28,837,961	0	0	741,878	11,904,535	16,191,548
COLORADO	5,898,154					5,898,154
MONTANA	2,740,118			139,464		2,600,654
NORTH DAKOTA	2,197,853					2,197,853
SOUTH DAKOTA	2,176,308					2,176,308
UTAH	3,705,869			926,466		2,779,403
WYOMING	512,217					512,217
REGION VIII	17,230,519	0	0	1,065,930	0	16,164,589
CALIFORNIA	83,862,261			20,965,565	62,896,696	0
HAWAII	2,993,398			748,351		2,245,047
NEVADA	1,627,222					1,627,222
REGION IX	88,482,881	0	0	21,713,916	62,896,696	3,872,269
ALASKA	1,004,420				1,004,420	0
IDAHO	1,867,176				1,867,176	0
OREGON	5,570,457				5,362,087	208,370
WASHINGTON	8,952,175				8,952,175	0
REGION X	17,394,228	0	0	0	17,185,858	208,370
TOTAL	766,657,267	52,533,718	7,529,876	61,713,875	328,993,008	315,886,790

STATE SUMMARY TABLE II
OFFSET QUALIFICATIONS BY QUARTER AND INCENTIVE REBATE EARNED
FY 1982

	HOSPITAL COST				UNEMPLOYMENT				TPL/FRAUD AND ABUSE				INCENTIVE REBATE
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	F=FULL P=PARTIAL
STATES													
REGION I													
CONNECTICUT	X	X	X	X					X	X	X	X	
MAINE									X	X	X	X	
MASSACHUSETTS	X	X	X	X									
MASS BLIND	X	X	X	X									
NEW HAMPSHIRE											X	X	F
RHODE ISLAND	X	X	X	X									
VERMONT													F
REGION II													
NEW JERSEY	X	X	X	X						X	X	X	F
NEW YORK	X	X	X	X					X	X	X	X	
REGION III													
DELAWARE													F
DIST OF COL.													F
MARYLAND	X	X	X	X					X	X	X	X	F
PENNSYLVANIA													
VIRGINIA													
WEST VIRGINIA													F
REGION IV													
ALABAMA							X		X	X	X	X	F
FLORIDA									X	X	X	X	
GEORGIA									X	X	X	X	F
KENTUCKY													F
MISSISSIPPI									X	X	X	X	P
NORTH CAROLINA									X	X	X	X	F
SOUTH CAROLINA													F
TENNESSEE													F
REGION V													
ILLINOIS												X	F
INDIANA													
MICHIGAN					X	X	X	X	X	X	X	X	F
MINNESOTA									X	X	X	X	
OHIO													
WISCONSIN									X				F

STATE SUMMARY TABLE II
OFFSET QUALIFICATIONS BY QUARTER AND INCENTIVE REBATE EARNED
FY 1982

STATES	HOSPITAL COST 1ST QTR	HOSPITAL COST 2ND QTR	HOSPITAL COST 3RD QTR	HOSPITAL COST 4TH QTR	UNEMPLOYMENT 1ST QTR	UNEMPLOYMENT 2ND QTR	UNEMPLOYMENT 3RD QTR	UNEMPLOYMENT 4TH QTR	TPL/FRAUD AND ABUSE 1ST QTR	TPL/FRAUD AND ABUSE 2ND QTR	TPL/FRAUD AND ABUSE 3RD QTR	TPL/FRAUD AND ABUSE 4TH QTR	INCENTIVE REBATE F=FULL P=PARTIAL
REGION VI													
ARKANSAS													F
LOUISIANA													
NEW MEXICO									X	X	X	X	P
OKLAHOMA												X	F
TEXAS													F
REGION VII													
IOWA									X	X	X	X	
KANSAS									X	X	X	X	F
MISSOURI													F
NEBRASKA									X	X	X	X	P
REGION VIII													
COLORADO									X	X	X	X	
MONTANA									X	X	X	X	F
NORTH DAKOTA									X	X	X	X	
SOUTH DAKOTA									X	X	X	X	
UTAH									X	X	X	X	P
WYOMING									X	X	X	X	
REGION IX													
CALIFORNIA									X	X	X	X	F
HAWAII									X	X	X	X	
NEVADA									X	X	X	X	
REGION X													
ALASKA													F
IDAHO									X	X	X	X	F
OREGON									X	X	X	X	F
WASHINGTON	X	X	X	X					X	X	X	X	F
TOTAL	7	7	7	7	1	1	2	1	28	28	29	31	F=27 P= 4
TOTAL STATES THAT QUALIFIED FOR AT LEAST ONE QUARTER			7				2				32		

STATE SUMMARY TABLE II
OFFSET QUALIFICATIONS BY QUARTER AND INCENTIVE REBATE EARNED
FY 1983

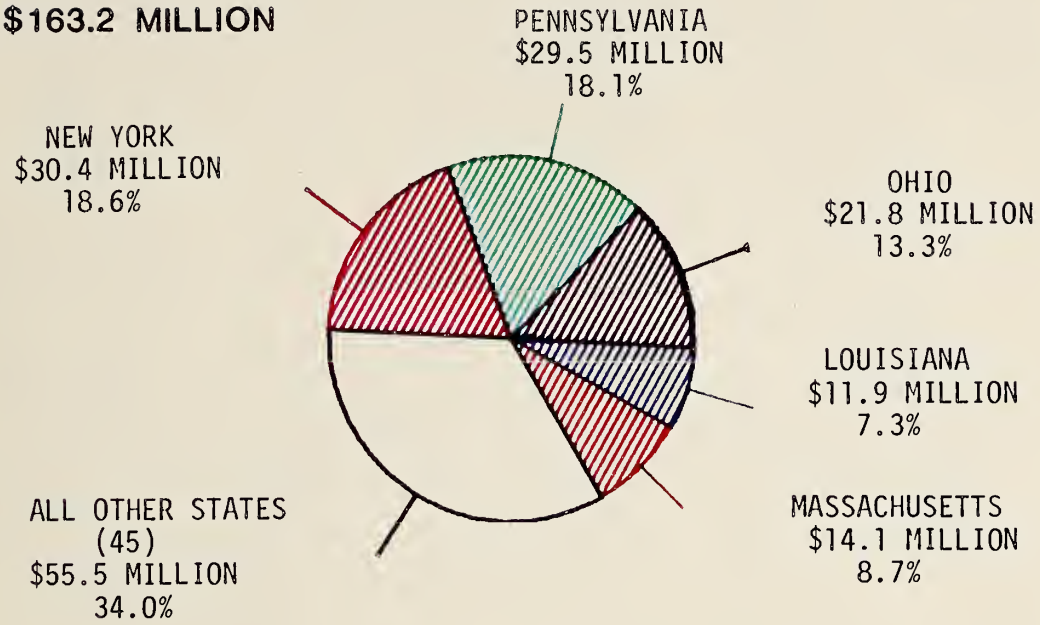
STATES	HOSPITAL COST 1ST QTR	HOSPITAL COST 2ND QTR	HOSPITAL COST 3RD QTR	HOSPITAL COST 4TH QTR	UNEMPLOYMENT 1ST QTR	UNEMPLOYMENT 2ND QTR	UNEMPLOYMENT 3RD QTR	UNEMPLOYMENT 4TH QTR	FRAUD AND ABUSE 1ST QTR	FRAUD AND ABUSE 2ND QTR	FRAUD AND ABUSE 3RD QTR	FRAUD AND ABUSE 4TH QTR	INCENTIVE REBATE F=FULL P=PARTIAL
REGION I													
CONNECTICUT	X	X	X	X									
MAINE													
MASSACHUSETTS	X	X	X	X									P
MASS BLIND	X	X	X	X									F
NEW HAMPSHIRE													F
RHODE ISLAND	X	X	X	X									
VERMONT													F
REGION II													
NEW JERSEY	X	X	X	X									F
NEW YORK	X	X	X	X					X	X	X	X	
REGION III													
DELAWARE													F
DIST OF COL.													
MARYLAND	X	X	X	X									
PENNSYLVANIA													
VIRGINIA													P
WEST VIRGINIA						X	X	X					
REGION IV													
ALABAMA						X							F
FLORIDA									X	X	X	X	
GEORGIA													F
KENTUCKY													P
MISSISSIPPI													
NORTH CAROLINA													P
SOUTH CAROLINA													F
TENNESSEE													F
REGION V													
ILLINOIS													F
INDIANA													
MICHIGAN					X	X	X						F
MINNESOTA													
OHIO													
WISCONSIN													F

STATE SUMMARY TABLE II
OFFSET QUALIFICATIONS BY QUARTER AND INCENTIVE REBATE EARNED
FY 1983

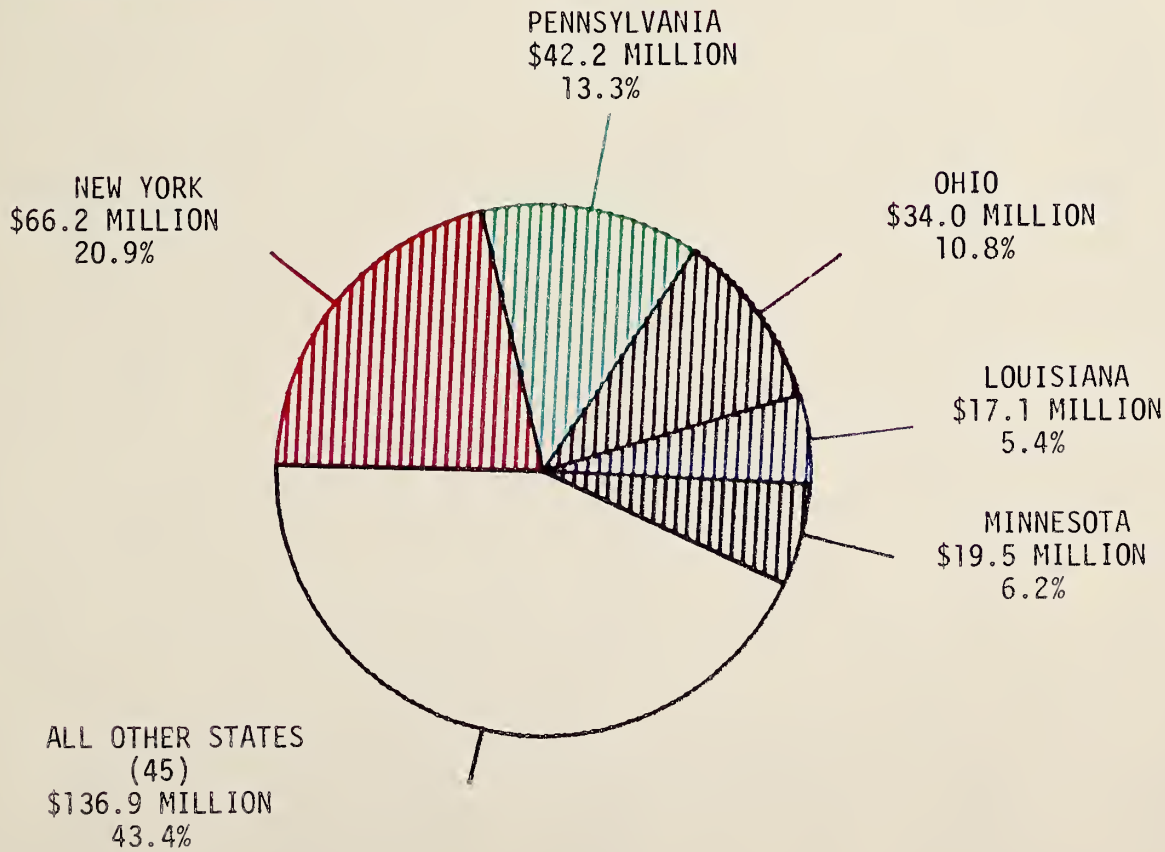
STATES	HOSPITAL COST 1ST QTR	HOSPITAL COST 2ND QTR	HOSPITAL COST 3RD QTR	HOSPITAL COST 4TH QTR	UNEMPLOYMENT 1ST QTR	UNEMPLOYMENT 2ND QTR	UNEMPLOYMENT 3RD QTR	UNEMPLOYMENT 4TH QTR	FRAUD AND ABUSE 1ST QTR	FRAUD AND ABUSE 2ND QTR	FRAUD AND ABUSE 3RD QTR	FRAUD AND ABUSE 4TH QTR	INCENTIVE REBATE F=FULL P=PARTIAL
REGION VI													
ARKANSAS													F
LOUISIANA													
NEW MEXICO									X	X	X	X	F
OKLAHOMA													P
TEXAS													F
REGION VII													
IOWA													
KANSAS													P
MISSOURI													P
NEBRASKA									X	X	X		
REGION VIII													
COLORADO													
MONTANA									X				
NORTH DAKOTA													
SOUTH DAKOTA													
UTAH									X	X	X	X	
WYOMING													
REGION IX													
CALIFORNIA									X	X	X	X	F
HAWAII									X	X	X	X	
NEVADA													
REGION X													
ALASKA													F
IDAHO													F
OREGON													P
WASHINGTON													F
TOTAL	6	6	6	6	1	3	2	1	8	7	7	6	F=18 P= 8
TOTAL STATES THAT QUALIFIED FOR AT LEAST ONE QUARTER			6				3				8		

CHART IV
NET FEDERAL SAVINGS BY STATE
FY 1982 AND FY 1983

FY 1982 - $163.2 MILLION



FY 1983 - $315.9 MILLION



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